STATE OF NEW YORK DEPARTMENT OF PUBLIC SERVICE

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July 13, 2001

Hon. Magalie Roman Salas
Secretary
Federal Communications Commission
The Portals II
445 12th Street , S.W. , TWA-325
Washington, D.C. 20554

RE: Comments of the New York State Public Service Commission in the Matter of Phase 2 of the Comprehensive Review of the Accounting Requirements and ARMIS Reporting Requirements for Incumbent Local Exchange Carriers - CC Docket No. 00-199

Dear Secretary Salas:

The New York State Department of Public Service ("NYDPS") submits these comments in response to the Federal Communications Commission's ("Commission") June 8, 2001 Public Notice in the above-captioned proceeding. The Commission seeks comments on proposed changes to its Part 32 Uniform System of Accounts ("USOA") which would streamline the Commission's Class A and Class B accounting and reporting requirements for incumbent local exchange carriers ("ILECs").

The Commission's proposals strike a good balance between reducing reporting burdens while recognizing that certain data must still be provided. Indeed, the NYDPS supports the addition of specific interconnection revenue and expense accounts, which include sub-accounts for unbundled network elements, resale, reciprocal compensation and other interconnection revenues and expenses. However, the Commission should not eliminate or consolidate any affiliate accounts, certain basic local network revenue accounts[1], certain miscellaneous revenue and expense accounts[2] and one plant account[3].

The Commission's proposal would unnecessarily eliminate all affiliate accounts from the balance sheet by combining or eliminating accounts relating to advances to/from affiliates, affiliate

[1] Specifically, accounts 5000-5069.
[2] Specifically, accounts 5200-5270.
[3] Submarine Cable account 2424.

accounts/notes receivable and payable and investment in affiliate companies.[4] This change will not save the carriers time and expense because ILECs must maintain affiliate information for consolidated financial statements and consolidated tax returns to the IRS. Moreover, these long-standing affiliate transaction accounts were adopted to prohibit cross-subsidization and identify transactions between affiliates and non-affiliates. It is premature to eliminate or consolidate these requirements in the absence of a fully competitive market.

The NYDPS also opposes the elimination or consolidation of certain miscellaneous accounts and basic local network revenue accounts. For example, the proposal consolidates all Corporate Operating Expenses into one account[5] and the Miscellaneous Revenue category of accounts into one account. By eliminating these sub-accounts, regulatory audits will be more difficult and time consuming to conduct. While this information may not be necessary in a fully competitive market, we still have the obligation to ensure that rates are just and reasonable. Accordingly, elimination or consolidation of these accounts is premature.

Finally, the NYDPS opposes the elimination of the Submarine Cable account. Elimination of this account would jeopardize NYDPS's ability to conduct depreciation studies and to evaluate depreciation reserves. Depreciation expense is a major component of a utility's operating costs and should be accurately determined as long as the ILECs continue to provide essential services

In sum, the NYDPS supports the Commission's continuing effort to eliminate obsolete data from its reporting requirements and welcomes this opportunity to suggest ways to do so during the development of competitive markets.

Respectfully submitted,

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LB/bpo

[4] The Public Notice does not address USOA requirements in the event of a consolidation or elimination. We urge the Commission to continue to maintain these requirements for affiliate accounts. For example, in 47 C.F.R. §32.1190(b), Other Accounts Receivable, "subsidiary record categories shall be maintained in order that the entity may separately report the amounts contained herein that relates to affiliates and non-affiliates."

[5] This category of accounts previously included Executive Planning, Accounting and Finance, External Relations and Human Resources as well as other accounts.